ALAMOS GOLD INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(All amounts are expressed in United States dollars, unless otherwise stated)

This management's discussion and analysis ("MD&A") of the operating results and financial position of Alamos Gold Inc. and its subsidiaries ("the Company") is for the year ended December 31, 2007 compared with the restated year ended December 31, 2006. Together with the audited consolidated financial statements and related notes, the MD&A provides a detailed account and analysis of the Company's financial and operating performance for the year. The Company's functional and reporting currency is the United States dollar. This MD&A is current to March 10, 2008 and should be read in conjunction with the Company's Annual Information Form and other corporate filings available at www.sedar.com ("SEDAR"). Management is responsible for the audited consolidated financial statements referred to in this MD&A, and provides officers disclosure certifications filed with securities commissions on SEDAR. The audit committee reviews the audited consolidated financial statements and MD&A, and recommends approval to the Company's Board of Directors.

The Company's prior year 2006 financial statements have been restated to correct the accounting for future income taxes associated with an overstatement of future tax assets at the Company's Mexican operating subsidiary in 2006 and changes to future tax liabilities associated with the Company's acquisition of the Mulatos project. The adjustments to the 2006 financial statements reflect the specific application of accounting rules regarding future income taxes and have no impact on the Company's cash flows, net cash balances or financial position. For further discussion regarding the restatement, refer to the Income Taxes section.

The MD&A should be read in conjunction with the audited consolidated financial statements of the Company and related notes, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Refer to Note 2 of the December 31, 2007 and restated 2006 audited consolidated financial statements for disclosure of the Company's significant accounting policies. Refer to Note 3 of the December 31, 2007 and restated 2006 audited consolidated financial statements for a discussion of changes in accounting policies and presentation.

Note to U.S. Investors

All references to mineral reserves and resources contained in this MD&A are determined in accordance with National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101") of the Canadian Securities Administrators ("CSA") and Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") standards. While the terms "mineral resource," "measured mineral resource," "indicated mineral resource," and "inferred mineral resource" are recognized and required by Canadian regulations, they are not defined terms under the Securities and Exchange Commission ("SEC") standards in the United States ("U.S."). As such, information contained in this MD&A concerning descriptions of mineralization and resources under Canadian standards may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC. "Indicated mineral resource" and "inferred mineral resource" have a great amount of uncertainty as to their existence and economic and legal feasibility. It cannot be assumed

that all or any part of an “indicated mineral resource” or “inferred mineral resource” will ever be upgraded to a higher category of resource. Investors are cautioned not to assume that all or any part of the mineral deposits in these categories will ever be converted into proven and probable reserves.

Overview

Alamos Gold Inc. is a publicly traded company on the Toronto Stock Exchange (TSX: AGI). The Company owns 100% of the 28,500 hectare Salamandra group of concessions located in the state of Sonora in northwest Mexico. The Salamandra group of concessions includes the Mulatos mine (the “Mine”) and more than nine other prospective exploration targets throughout the district.

The Company’s business strategy incorporates continually improving production, cash flows and profitability, increasing proven and probable reserves and advancement of the Company’s numerous exploration projects.

During 2007, the Company focused on the first component of its business strategy of improving its operations and operating results. The Company’s objective at the outset of 2007 was to increase annual gold production by 50% to approximately 150,000 ounces and to reduce cash operating costs to below $300 per ounce. While the Company was successful in achieving profitability and strong cash flows from operations in 2007, its first full year of commercial mining operations, significant operating challenges were encountered. Operating issues that adversely affected gold production in 2007 included the identification and processing of poor recovery material, lower than planned crusher throughput and metallurgical recoveries and periods of extreme rainfall, all of which adversely impacted mining operations.

The challenges in 2007 were systematically addressed and the Company has made a number of significant operating improvements that are expected to benefit the Company for the foreseeable future. Improved ore-handling procedures have been implemented which ensure that only ore with 50% or higher expected gold recovery is stacked on the leach pad. High grade, lower recovery ore is currently stockpiled while alternative treatment options are being considered. The additional crusher was installed in 2007 and has successfully resulted in the Company reaching targeted crusher throughput rates approaching 15,000 tonnes per day in late 2007, and achieving the desired crush size. The leach pad has been expanded and prepared for the stacking and conveying system. Modifications were also made to recovery plant processes to improve efficiencies. In addition, personnel and process improvements throughout 2007 have strengthened the Company’s on-site expertise and operating abilities. As a result of these improvements, the Company exited 2007 with quarterly gold production, gold sales and cash flows at or near record levels.

Significant advancements related to the Company’s strategic objective of production growth were achieved in 2007. Future production growth is expected both from higher recoveries at the current mining operations, from the planned Escondida mine, and from other deposits being developed. Capital projects initiated in 2007 that are expected to improve gold recoveries in 2008 include the stacking and conveying system which is expected to be operational late in the first quarter of 2008. During 2007, the results of a preliminary trade-off scoping study for the Escondida milling option were received and the Company initiated a full scale feasibility study, the results of which are expected in the second quarter of 2008.

Exploration and development success in 2007 included the discovery of a new oxide gold zone at the La Yaqui prospect, delineation of the Gap zone including local high-grade intercepts, resource definition drilling at Puerto del Aire, immediately adjacent to the existing pit, and the reporting of 0.5 million ounces of resources at El Victor.

The Mine produces gold in dore bars for shipment to a refinery. Gold may be sold in refined form or as dore. The Company achieved commercial production at the Mine on April 1, 2006.

Proven and probable reserves in the Estrella Pit as at December 31, 2006 were 31.9 million tonnes grading 1.64 grams per tonne of gold ("g/t Au") or approximately 1.7 million contained ounces of gold. The Company expects to announce a proven and probable reserve and resource update late in the first quarter of 2008.

The Salamandra group of concessions contains both advanced and grassroots exploration prospects. There are several advanced exploration projects near the Estrella Pit that have the potential to continue to add resources and reserve ounces to the global Mulatos deposit, including both mineralization extensions and satellite deposits.

2007 Highlights

During the year ended December 31, 2007, the Company:

- Increased gold sales 19% to 108,281 ounces compared to 91,220 ounces in 2006.
- Recorded revenues of $74 million, an increase of 35% over 2006 revenues of $54.7 million.
- Recognized earnings of $2.9 million ($0.03 per share), compared to a restated loss of $0.3 million ($0.07 per share) in 2006.
- Generated positive cash flows from operating activities of $20.9 million ($0.22 per share) compared to negative cash flows of $0.7 million ($0.01 per share) in 2006.
- Produced 106,200 ounces of gold at a cash operating cost of $390 per ounce of gold sold (total cash cost inclusive of royalties of $425).
- Realized a cash margin per ounce of gold sold of $259 compared to $281 in 2006.
- Considerably strengthened its financial position through the repayment of its bank loan and increase in working capital to $39.2 million.
- Reported a resource of 0.5 million ounces at El Victor.
- Announced the appointment of Mr. Eduardo Luna (Chairman, Silver Wheaton Minerals Inc., ex-President of Goldcorp (Mexico)) to the Company's Board of Directors.

During the fourth quarter of 2007, the Company:

- Recorded quarterly revenues of $20.7 million, an increase of 35% over revenues in the fourth quarter of 2006 of $15.3 million.
- Increased quarterly gold sales 7% to 27,029 ounces compared to 25,270 in the same period of 2006.
- Increased quarterly cash flows from operating activities from $0.6 million in the fourth quarter of 2006 to $9.2 million.

Results of Operations

Gold production in 2007 of 106,200 ounces represented a 5% increase over 2006 gold production of 101,170 ounces. Higher gold sales in 2007 of 108,281 ounces compared to 91,220 ounces in 2006 resulted in significant increases in revenues, cash flows and earnings in 2007. Reported gold production is subject to final refinery settlement. The table below outlines key quarterly production indicators during 2007:

Production summary	Q1	Q2	Q3	Q4	2007
Ounces produced [(1)]	24,940	28,200	21,670	31,390	**106,200**
Ore mined (tonnes)	1,035,000	873,000	814,000	1,219,000	**3,941,000**
Waste mined (tonnes)	2,321,000	2,230,000	2,784,000	2,524,000	**9,859,000**
Total mined (tonnes)	3,356,000	3,103,000	3,598,000	3,743,000	**13,800,000**
Ore crushed (tonnes)	1,050,000	909,000	838,000	1,218,000	**4,015,000**
Ore mined per day (tonnes)	11,400	9,600	9,000	13,300	**10,800**
Ore crushed per day (tonnes)	11,500	10,000	9,200	13,300	**11,000**
Waste-to-ore ratio	2.24	2.55	3.42	2.07	**2.50**
Grade (g/t Au)	1.73	1.82	2.08	2.17	**1.96**

(1) Reported gold production for Q1-Q3 2007 has been adjusted to reflect final refinery settlement. Reported gold production for Q4 2007 is subject to final refinery settlement.

Lower than budget gold production in 2007 was due primarily to lower than planned crusher throughput and gold recovery resulting in part from the following:

- A portion of the material mined from the south end of the pit and stacked on the leach pad in late 2006 and early 2007 was subsequently determined to have low recovery characteristics.
- Mine operations were suspended for a period of ten days in May 2007 during negotiations with the local community regarding relocation of the town of Mulatos.
- Record rainfall in the third quarter of 2007 caused a reduction in crushing throughput to significantly below budgeted levels.

As a result of the challenges encountered throughout the year, the following initiatives were implemented and are expected to improve both crusher throughput and recovery:

- A new crusher was commissioned in July 2007 which has resulted in steadily increasing monthly crusher throughput in the latter half of the year with December 2007 throughput reaching 14,000 tonnes per day at the optimal cursher discharge size.
- New ore classification procedures implemented in 2007 ensure that only high-recovery material is processed at this time.

- In-pit drilling and metallurgical testing has improved the Company's ability to forecast gold production and specify crusher discharge size by type of ore for optimal recovery.
- The stacking and conveying system is expected to be operational in the first quarter of 2008 and will eliminate truck loading of the leach pad which is expected to improve leach pad percolation and ultimately gold recoveries.
- Independent metallurgical testing was commissioned to assess the effects of cement agglomeration and various other factors on gold recoveries. The Company is in the process of evaluating the results of this testing. However, preliminary review suggests that cement agglomeration could contribute to higher realized gold recoveries.

These efforts benefited operations in the fourth quarter as the Company reported gold production of 31,390 ounces representing a 45% improvement over gold production in the previous quarter. The Company anticipates that in 2008 it will be able to maintain or exceed the level of crusher throughput and gold production achieved in the fourth quarter of 2007.

The table below compares costs per tonne in the fourth quarter and in 2007 to the same periods of 2006:

Costs per tonne summary	Q4 2007	Q4 2006	Change %	2007	2006	Change %
Mining cost per tonne of material (ore and waste)	$1.28	$0.80	60%	$1.34	$1.12	20%
Waste-to-ore ratio	2.07	2.84	(27%)	2.50	2.26	11%
Mining cost per tonne of ore	$3.93	$3.04	29%	$4.67	$3.66	28%
Crushing cost per tonne of ore	$2.16	$2.38	(9%)	$2.51	$1.84	36%
Processing cost per tonne of ore	$2.18	$2.46	(11%)	$2.39	$1.85	29%
Mine administration cost per tonne of ore	$2.16	$1.02	112%	$1.70	$1.10	55%
Total cost per tonne of ore	$10.43	$8.90	17%	$11.27	$8.45	33%

The comparison of costs per tonne in the fourth quarter of 2007 to the fourth quarter of 2006 is particularly indicative of total costs because tonnes mined and crushed in the fourth quarter of 2007 were consistent with the prior year period. Total cost per tonne of ore in the fourth quarter of 2007 was 17% or $1.53 higher than in the comparable period due primarily to a 112% or $1.14 increase in mine administration cost per tonne of ore and a 29% or $0.89 increase in mining cost, offset by lower crushing and processing cost per tonne of ore. The majority of the increase in mine administration cost per tonne of ore is attributable to one-time non-recurring charges related to legal and administrative costs associated with the Company's ongoing planned relocation of the town of Mulatos.

Total cost per tonne of ore in 2007 was 33% higher than in 2006 due to 15% less tonnes stacked on the leach pad and a 11% increase in the waste-to-ore ratio. Crusher throughput was lower than budgeted throughout the 2007 year. This restricted the Company's mining activities, resulting in a 14% reduction in tonnes mined in 2007 compared to the prior year. The mining department used excess capacity to mine additional waste in 2007. Due in part to the progress in mining waste in 2007, the waste-to-ore ratio in 2008 is expected to be approximately 50% lower, resulting in reduced mining costs.

Mining cost per tonne of material was $1.34 in 2007, 20% higher than in 2006. Higher mining costs in 2007 were primarily the result of scheduled maintenance on the Company's equipment fleet. Component rebuilds and other maintenance costs are expensed as incurred and have increased significantly as presented in the table below.

	2007 ($000)	2006 ($000)	Change ($000)	Change (%)
Haul trucks	3,703	1,193	2,510	210%
Loading equipment	2,315	1,314	1,001	76%
Auxiliary equipment	2,548	1,623	925	57%
Total maintenance costs	**8,566**	**4,130**	**4,436**	**107%**
Total mined (tonnes)	13,800,000	14,935,000	(1,135,000)	(8%)
Cost per tonne mined	$0.62	$0.28	$0.34	121%

The Company expects to incur these levels of major maintenance costs every two to three years (determined based on hourly usage). As the Company acquired the majority of its equipment fleet at the same time, mine operating costs in 2007 included abnormally high maintenance costs as engines, transmissions and other key components all reached the end of their useful operating life at the same time. Maintenance costs related to haul trucks, loading and auxiliary equipment are budgeted to be approximately $6 million in 2008 compared to the $8.6 million spent in 2007. Overall, mining cost per tonne of material is expected to increase in 2008 with the budgeted mining of less material.

Mining cost per tonne of ore in 2007 was $4.67, or 28% higher than in 2006. This increase is explained by higher scheduled maintenance costs, a higher waste-to-ore ratio and fewer tonnes of ore mined in 2007. The waste-to-ore ratio in 2007 was 2.50, or 11% higher than in 2006. In 2007, a total of 3,941,000 tonnes of ore were mined which was 14% lower than the 4,577,000 tonnes of ore mined in 2006. Mining cost per tonne of ore in 2008 is expected to decrease as a result of lower scheduled maintenance and a substantially lower waste-to-ore ratio.

Crushing cost per tonne of ore in 2007 was $2.51 or 36% higher than in 2006. Increases in crushing costs on a per-tonne basis are due primarily to the Company's efforts in 2007 to enhance preventative maintenance and to maintain the optimal crusher discharge size. In addition, maintenance and related operating costs associated with the new crusher that was commissioned in July 2007 are not reflected in 2006 comparative costs. Crushing cost per tonne of ore decreased in the fourth quarter of 2007 to $2.16 which in part reflects the Company's success at achieving higher crusher throughput. Crusher throughput improved consistently in the fourth quarter of 2007 from 12,300 in October to 14,000 tonnes of ore crushed per day in December. The Company expects similar levels of spending in the

crushing department in 2008, however, the per tonne cost should decrease as crusher throughput is budgeted to increase approximately 20% in 2008.

Processing cost per tonne of ore in 2007 of $2.39 increased 29% over prior period levels. Processing costs include expenditures incurred with respect to the leach pad, gold recovery plant and refining activities. Higher per unit costs are partially a function of 15% lower tonnage throughput in 2007, combined with cost increases for certain mining processing consumables such as lime and cyanide. Cyanide costs in 2007 were approximately 25% higher than in 2006. In addition, lime consumption in 2007 increased significantly due to the type of ore being stacked during the year. The Company was adversely affected by increased costs of transporting lime to the mine throughout the year. Construction and installation of the stacking and conveying system is ongoing with commissioning expected late in the first quarter of 2008. The Company expects that the mechanization of the ore-stacking and lime-application processes will result in cost savings. However, the Company is in the process of evaluating the option of agglomeration, which, if undertaken would result in the addition of cement costs to the Company's processing cost structure. Cost increases associated with cement agglomeration would be significant but would be partially offset by lower lime costs resulting from reduced consumption. The Company expects that cement agglomeration would result in higher gold recoveries. Overall, the Company expects processing cost per tonne of ore to increase marginally in 2008.

Mine administration cost per tonne of ore in 2007 was $1.70 compared with $1.10 in 2006. Significant changes to the Company's cost structure in 2007 included increases in the Company's community and public relations spending in connection with the planned relocation of the town of Mulatos. These changes have resulted in actual costs being substantially higher than initially planned. The Company expects mine administration cost per tonne of ore in 2008 to be consistent with the actual cost in 2007.

Cash operating cost per ounce of gold sold increased 33% to $390 in 2007 compared to $294 in 2006. The Company's reported cash operating costs per ounce are significantly affected by gold recoveries. Throughout 2007, daily bottle roll tests of crushed ore composites have shown recoveries in excess of what the Company has been able to achieve from the leach pad. The average bottle roll recovery in the fourth quarter of 2007 was 66%, with 70% average daily recovery in December 2007. These recovery results are supported by column testing. Column testing of the December composite crushed ore samples show recovery of 50% after only 22 days. October and November 2007 column tests show recoveries of in excess of 70% after 75 and 56 days respectively. Recoveries indicated by metallurgical testing in the laboratory have not been achieved from the leach pad due to various factors, including crush size and leach pad percolation, both of which are discussed in greater detail below.

Crush size is a key determinant of ultimate gold recovery for the Estrella deposit. Metallurgical studies have indicated that gold recovery rates are sensitive to crush size with finer crushed material generally yielding higher gold recovery. The optimal crush size for the Estrella deposit is 80% passing $3/8^{th}$ of an inch. However, the optimal crush size varies by ore type. Oxide material can be more coarsely crushed without a significant adverse effect on gold recovery. During the second quarter of 2007, the Company was able to achieve the optimal crush size. However, in the latter half of the year, the average crush size of ore stacked on the leach pad was increased to 80% passing $7/16^{th}$ of an inch. This larger crush size was planned as a result of mining a comparatively high percentage of clay-altered oxide material in the third and fourth quarters of the year. The new crusher was commissioned in July 2007 and has enabled the

Company to properly control and adjust the crusher discharge size in order to optimize gold recovery.

Other key determinants of the level of gold recovery include leach pad percolation, solution application rates, pH levels and performance of the gold recovery plant. The upper lifts of the current leach pad are approaching seventy meters in height. The Company believes that blinding and channeling of solution flow in the leach pad may have occurred, possibly caused by the compaction of fine crushed ore, thereby negating the benefits of achieving the optimal crusher discharge size. The Company expects that conveying and stacking ore on the leach pad will reduce any potential compaction associated with truck loading ore on the pad. Further benefits are expected through the use of inter-lift liners to reduce effective bench heights and an expanded pad area to allow for longer leach times before a new lift is added. In addition, an independent research facility was commissioned in 2007 to perform column tests to assess the impact of cement agglomeration, varying solution flow rates and pH levels and crush size on ultimate gold recoveries. Preliminary results of this testing indicate a correlation between agglomeration and improved recovery. The Company will evaluate the final test results and will proceed accordingly in order to improve gold recoveries. Increases in gold recovery rates are expected to reduce cash operating costs per ounce.

Cautionary Non-GAAP Statements

The Company believes that investors use certain indicators to assess gold mining companies. They are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared with GAAP. “Cash flow from operating activities before changes in non-cash working capital” is a non-GAAP performance measure which could provide an indication of the Company’s ability to generate cash flows from operations, and is calculated by adding back the change in non-cash working capital to “Cash provided by (used for) operating activities” as presented on the Company’s consolidated statements of cash flows. “Mining cost per tonne of ore” is a non-GAAP performance measure which could provide an indication of the mining and processing efficiency and effectiveness at the Mine. It is determined by dividing the relevant mining and processing costs by the tonnes of ore processed in the period. “Cost per tonne of ore” is usually affected by operating efficiencies and waste-to-ore ratios in the period. “Cash operating cost per ounce” and “total cash cost per ounce” as used in this analysis are non-GAAP terms typically used by gold mining companies to assess the level of gross margin available to the Company by subtracting these costs from the unit price realized during the period. These non-GAAP terms are also used to assess the ability of a mining company to generate cash flow from operations. There may be some variation in the method of computation of “cash operating cost per ounce” as determined by the Company compared with other mining companies. In this context, “cash operating cost per ounce” reflects the cash operating cost allocated from in-process and dore inventory associated with ounces of gold sold in the period. “Cash operating cost per ounce” may vary from one period to another due to operating efficiencies, waste-to-ore ratios, grade of ore processed and gold recovery rates in the period. “Total cash cost per ounce” includes “cash operating cost per ounce” plus applicable royalties.

Financial Highlights

A summary of the Company's financial results for the three-month periods and years ended December 31, 2007 and 2006 is presented below:

	Q4 2007	Q4 2006 Restated	2007	2006 Restated
Cash provided by operating activities before changes in non-cash working capital (000) [1]	$5,011	$4,219	$20,666	$17,162
Changes in non-cash working capital (000)	$4,204	($3,581)	$193	($17,826)
Cash provided by (used for) operating activities (000)	$9,215	$638	$20,859	($664)
Earnings before income taxes (000)	$917	$871	$6,374	$2,831
Earnings (loss) (000)	($260)	($1,469)	$2,934	($349)
Earnings (loss) per share – basic and diluted	($0.00)	($0.02)	$0.03	($0.07)
Weighted average number of common shares outstanding				
- basic	94,429,000	93,613,000	94,065,000	87,607,000
- diluted	94,429,000	93,613,000	96,427,000	87,607,000

[1] A non-GAAP measure calculated as cash provided by operating activities as presented on the consolidated statements of cash flows and adding back changes in non-cash working capital.

In the fourth quarter of 2007, the Company generated $9.2 million in cash from operating activities compared to $0.6 million in the fourth quarter of 2006. The majority of this increase was due to the collection of Mexican value added tax receivables in the fourth quarter of 2007 compared to net cash investments in gold and parts and supplies inventory in the fourth quarter of 2006.

In 2007, cash flows from operating activities were $20.9 million ($0.22 per share) compared to negative cash flows from operating activities of $0.7 million ($0.01 per share) in 2006. Cash flows from operations increased throughout 2007 as the Company achieved a higher realized gold price, increased the number of ounces of gold sold and has reduced the relative level of its investments in leach pad, dore and parts and supplies inventories.

Changes in non-cash working capital accounted for the majority of the increase in the Company's cash flows from operations in 2007. In 2007, the Company invested $5.1 million in leach pad and parts and supplies inventories, compared to $16.0 million in 2006. The number of ounces in the Company's leach pad inventory has been stable throughout 2007; however the cost per ounce has increased. Approximately $4.6 million of the investment in inventories reflects higher cost ounces from 2007 replacing lower cost ounces that have been removed from leach pad inventory as produced dore. In addition, throughout 2007 the Company

recovered a net amount of $3.3 million of Mexican value added taxes, compared to a net cash out-flow of $2.5 million in 2006.

The Company recognized earnings before income taxes of $6.4 million in 2007 compared to $2.8 million in 2006. Earnings after income taxes increased $3.2 million from a restated loss of $0.3 million in 2006 to earnings of $2.9 million in 2007. For a discussion of the restatement of the 2006 financial statements, refer to the section entitled Income Taxes below.

Gold Sales

Details of gold sales are presented below:

	Q4 2007	Q4 2006	2007	2006
Gold sales (ounces)	27,029	25,270	108,281	91,220
Gold sales revenues (000)	$20,683	$15,300	$74,028	$54,655
Realized gold price per ounce	$765	$605	$684	$599
Average gold price for period (London PM Fix)	$786	$613	$695	$604

Gold sales revenues increased 35% in the fourth quarter of 2007 compared to the same period of 2006 as a result of a 26% increase in the realized gold price per ounce and a 7% increase in the number of ounces sold.

Gold sales revenues were $74.0 million in 2007, 35% higher than gold sales revenues of $54.7 million in 2006. The increase in gold sales revenues is the result of a combination of a 19% increase in the number of ounces sold and a 14% increase in the Company's realized gold price. The number of ounces sold increased in 2007 as a result of higher gold production and improved timing of refinery settlements.

The Company realized an average gold price of $684 per ounce in 2007, compared to an average London PM Fix spot gold price of $695 during the period. The Company generally contracts for the sale of gold twice monthly, but may fix the price at various points in a quarter with the intent of achieving the average London PM Fix spot gold price for the quarter. Periodically, the Company may fix the selling price by entering into gold contracts to lock in a favorable price or provide protection from downside risk. In the steadily increasing gold price environment, the Company's realized gold price per ounce has generally been lower than the average London PM Fix spot gold price.

Assessment of Gold Market

The price of gold has shown considerable strength early in 2008. The Company expects its realized gold price in the first quarter of 2008 to approach $900 per ounce, a 32% increase over the realized gold price in 2007. At March 10, 2008 the gold price had increased to approximately $975 per ounce. The Company is fully leveraged to increases in the price of gold. At current gold prices, the Company's cash margin per ounce of gold sold is approximately double the cash margin realized in 2007 of $259 per ounce.

Operating Expenses and Operating Margins

Mine operating costs allocated to ounces sold are summarized in the table below for the periods indicated:

	2007	2006 Restated	Change %
Gold production (ounces) [(1)]	106,200	101,170	5%
Gold sales (ounces)	108,281	91,220	19%
Cash operating costs (000)[(2)]	**$42,195**	**$26,856**	**57%**
- Per ounce sold	**$390**	**$294**	**33%**
Royalties and production taxes (000)[(3)]	$3,776	$2,175	74%
Total cash costs (000)[(4)]	**$45,971**	**$29,031**	**58%**
- Per ounce sold	**$425**	**$318**	**34%**
Amortization (000)	$11,000	$8,091	36%
Accretion of asset retirement obligations (000)	$200	$157	27%
Total production costs (000)[(5)]	**$57,171**	**$37,279**	**53%**
- Per ounce sold	**$528**	**$409**	**29%**
- Realized gold price per ounce	$684	$599	14%
- Realized cash margin per ounce [(6)]	$259	$281	(8%)

(1) Reported gold production is subject to final refinery settlement.

(2) "Cash operating costs" is a non-GAAP measure which includes all direct mining costs, refining and transportation costs and by-product credits. "Cash operating costs" is equivalent to mining and processing costs as reported in the Company's financial statements.

(3) Production royalties are included as of April 1, 2006 at 5% of net precious metals revenues (as determined in accordance with the royalty agreement).

(4) "Total cash costs" is a non-GAAP measure which includes all "cash operating costs" and royalties and production taxes. "Total cash costs" is equivalent to mining and processing costs and royalties as reported in the Company's financial statements.

(5) "Total production costs" is a non-GAAP measure which includes all "total cash costs", amortization, and accretion of asset retirement obligations. "Total production costs" is equivalent to mining and processing costs, royalties, amortization and accretion of asset retirement obligations as reported in the Company's financial statements.

(6) Realized cash margin per ounce is a non-GAAP measure which is calculated as the difference between the Company's gold sales and mining and processing and royalty expenses as reported in the Company's financial statements.

Production from the Mine is subject to a sliding scale production royalty commencing on commercial production which was established by agreement to be as at April 1, 2006. At current gold prices above $400, the royalty is set at a rate of 5% of the value of gold and silver, less certain allowed refining and transportation costs. The royalty is calculated based on the daily average London PM Fix gold market prices, not actual prices realized by the Company. With the achievement of commercial production on April 1, 2006, the Mine's production to a maximum of two million ounces of gold is subject to royalty. As at December 31, 2007, the royalty was paid or accrued on approximately 178,000 ounces of applicable gold production. Royalty expense for 2007 was $3.8 million compared to $2.2 million in 2006.

Exploration

Exploration costs charged to operations during the 2007 year totaled $2,320,000 compared with $4,319,000 in the same period of 2006. Exploration costs in 2007 related primarily to drilling in the Gap and La Yaqui areas, costs associated with modeling the El Victor resource area, administrative expenses and property tax payments. In 2006, the Company incurred comparatively higher exploration costs with respect to drilling at the El Victor, San Carlos, El Realito and Los Bajios projects.

The Company's accounting policy for exploration costs requires that exploration spending that does not meet the criteria for mine development is expensed as incurred. In addition to the exploration expense recognized in 2007 of $2,320,000, approximately $675,000 of costs related to the Puerto del Aire zone immediately adjacent to the existing Estrella Pit and certain costs related to Escondida were capitalized to mine development.

Corporate and Administrative

Corporate and administrative expenses of $3,516,000 in 2007 were 2% lower than the $3,604,000 incurred in 2006. The key components of this expense are detailed below:

	2007 ($000)	2006 ($000)
Salaries and management fees	1,715	1,856
Legal and audit	414	342
Office and administration	685	498
Shareholder communications	275	392
Travel and accommodation	283	370
Trust and filing fees	144	146
	3,516	**3,604**

Salaries and management fees of $1,715,000 in 2007 were 8% lower than in 2006 due to lower bonuses paid or accrued in 2007.

Legal and audit costs of $414,000 in 2007 were 21% higher than in 2006 due primarily to increases in audit fees related to the Company's Mexican operating subsidiary. The Company's deregistration from the SEC in June 2007 has resulted in significantly lower compliance and related costs than otherwise would have been incurred.

Increases in office and administration fees throughout 2007 resulted from increased staffing and activity levels at the Company's administration office in Hermosillo, Mexico. These increases were partially offset by lower shareholder communications costs, travel and accommodation expenses and trust and filing fees.

Corporate and administrative costs in 2008 are expected to be between $4.0 and $4.5 million, exclusive of unusual items. The anticipated increase in 2008 is the result of higher expected administration costs in Mexico.

Stock-based Compensation

Stock-based compensation expense in 2007 was $3,425,000 compared to $1,820,000 in 2006. The value of stock-based compensation expense is added to the contributed surplus account within shareholders' equity, resulting in no net effect on total shareholders' equity.

	2007	2006
Number of stock options granted	2,472,000	1,235,000
Average exercise price of options granted (CDN$)	$7.22	$8.89
Value of stock based compensation (as determined by Black Scholes option pricing model)	$6,060,000	$3,625,000

The Company implemented vesting provisions for all stock option grants since December 2005 in order to promote employee retention. Under the vesting provisions, 20% of all stock options granted vest on the date of grant and 20% at each subsequent six-month period. The vesting provisions result in the market value of stock option grants being charged to expense in accordance with the vesting terms of the option. The higher stock-based compensation expense in 2007 is due primarily to the increase in the number of options granted in 2007 compared to in 2006.

Stock-based compensation expense in 2008 related to options outstanding at December 31, 2007 is expected to be approximately $3.3 million. Any additional grants in 2008 will increase this expense.

Accretion of Asset Retirement Obligation

The asset retirement obligation on the Company's balance sheet of $3,460,000 at December 31, 2007 reflects the discounted value of the amount the Company expects to incur on closure of the Mine for reclamation and reforestation activities. The Company's estimate of the expected future costs associated with mine closure and reclamation was prepared internally by management. Accretion expense represents the increase in the liability due to the passage of time. Accretion of asset retirement obligation expense in 2007 was $183,000 compared to $157,000 in 2006. Changes in the Company's estimate of expected future cash outflows at the end of the life of the mine resulted in an increase to the asset retirement obligation liability at year-end. Accretion expense in 2008 is expected to increase from 2007 levels in conjunction with the higher liability. The Company is in the process of obtaining an independent mine closure plan complete with an assessment of the expected future closure and reclamation costs. The result of this assessment could vary significantly from the Company's current estimates.

Employee Future Benefits

In April 2006, the Company established a subsidiary employment services company in Mexico. Prior to this, all staff were contract workers paid through an independent third-party company. The transition to a subsidiary company resulted in the Company being required to recognize employee future benefit liabilities associated with its Mexican work force. The Company hired an independent consultant to review and calculate the liability for seniority premiums and termination benefits in accordance with Mexican Labor Law. As at December 31, 2007, the Company accrued an employee future benefit liability of $555,000. Employee

future benefits expense of $205,000 in 2007 is a non-cash charge reflecting the increase in the present value of the employee future benefit liability.

Interest Income

Interest income in 2007 was $202,000, compared to $346,000 in 2006 due to higher average cash balances throughout 2006. The Company expects to earn higher interest income in 2008 as the Company increases its cash holdings resulting from both increased gold sales and a higher realized gold price.

Interest Expense

Interest expense for the years ended December 31, 2007 and 2006 is composed of the following:

	Rate	2007	2006
Convertible debentures ($000)	5.5%	76	1,184
Capital lease obligations ($000)	LIBOR + 4.1%	818	654
Bank loan ($000)	LIBOR + 2.25% (drawn)	432	321
		1,326	**2,159**

Interest expense on the convertible debenture of $76,000 in 2007 is substantially lower than in the same period of 2006. In June of 2006, approximately 97% of the outstanding convertible debentures were converted into common shares of the Company. Interest expense related to the remaining outstanding convertible debentures is approximately $80,000 annually.

Interest expense on capital lease obligations in 2007 was $818,000 compared to $654,000 in 2006. The increase in interest expense related to capital leases reflects the additional two capital leases that were entered into in 2007.

Interest on the Company's revolving credit facility is charged at LIBOR + 2.25% on the drawn portion after August 25, 2007 (LIBOR + 2.75% prior thereto). In addition, a standby charge equal to 0.75% of the undrawn balance is charged. Higher interest expense was incurred in 2007 as the average outstanding bank loan balance was higher in 2007 than in 2006. In the fourth quarter of 2007, the Company was able to repay the $7 million outstanding balance of the bank loan.

Financing Charges

Financing charges in 2006 primarily represented the amortization of deferred financing costs associated with the Company's convertible debenture liability. All deferred financing costs were written off in June 2006 in conjunction with the early conversion of the majority of the outstanding convertible debentures.

Accretion of Convertible Debenture Discount

Accretion of the convertible debenture discount in 2007 of $69,000 compared to $960,000 in 2006. The early conversion of the convertible debentures in June of 2006 resulted in a 97% reduction in future accretion expenses related to the convertible debenture. Accretion expense is expected to continue to be minimal in future periods.

Foreign Exchange Loss

The Company recognized a foreign exchange loss of $48,000 in 2007 compared to $922,000 in 2006. The foreign exchange loss in 2007 was composed of a $45,000 foreign exchange gain in Canada and a $93,000 foreign exchange loss in Mexico.

The Company realized a foreign exchange gain in Canada in 2007 as the strengthening of the Canadian dollar compared to the United States dollar throughout 2007 resulted in a gain on the Company's Canadian dollar cash holdings. This gain was partially offset by a foreign exchange loss on the Company's convertible debenture liability which is denominated in Canadian dollars.

The foreign exchange loss in Mexico in 2007 was due primarily to realized losses on the collection of net Mexican peso-denominated monetary assets. The Company's Mexican value added tax receivable balance is denominated in Mexican pesos. The value of the Mexican peso compared to the United States dollar at December 31, 2007 was consistent with the prior year-end.

In 2006, the Company's significant foreign exchange loss of $922,000 related to its exposure to changes in the value of the Canadian dollar compared to the United States dollar as a result of its CDN$50 million convertible debenture liability, less a portion of that liability that was hedged. This exposure was substantially reduced with the early conversion of 97% of the outstanding convertible debentures in June 2006.

The Company's exposure to foreign exchange gains or losses on its Canadian dollar-denominated financial assets and liabilities in 2008 is expected to be minimal, as the Company's only significant Canadian dollar-denominated liability is the outstanding convertible debenture in the amount of CDN$1,471,000, which is partially offset by the Company's Canadian dollar cash holdings.

Significant volatility in the value of the Mexican peso compared to the United States dollar could result in foreign exchange gains or losses. However, in the latter half of 2007 the Company's exposure to volatility in the value of the Mexican peso was significantly reduced as the majority of the Company's Mexican peso-denominated value added tax receivable was collected.

Income Taxes

Current tax expense in 2007 of $545,000 compared to $125,000 in 2006 and represents a 10% withholding tax on inter-company interest charged by the Company's Canadian parent to the Mexican operating subsidiary. Withholding tax charges are dependent on prevailing interest rates and the timing of repayment of inter-company loans.

Future income tax expense in 2007 was $2,895,000 compared to restated future income tax expense of $3,055,000 in 2006. The Company has restated its 2006 financial results to reflect a $2,055,000 increase to its future tax expense with a corresponding increase to its future income tax liability. Following a tax audit of the Company's Mexican operating subsidiary, it was determined that its recorded tax assets were overstated as at December 31, 2006. It was also noted that certain future tax liabilities, in part relating to a prior acquisition, were required to be recognized, with a corresponding adjustment to mineral property, plant and equipment. As a result of this latter adjustment, amortization in both 2007 and 2006 has increased slightly

on an after-tax basis. The Company has determined that there is no material net adjustment to the deficit as at January 1, 2006. The future tax liability established in relation to the prior acquisition is expected to reverse as the mine property is amortized, resulting in a future tax benefit in subsequent periods. These adjustments have no effect on the Company's net cash balances or cash flows for the current or previous reporting periods. The Company is expected to be cash taxable in 2008, consistent with previous expectations. A summary of the adjustments resulting from the restatement is presented as Note 18(a) of the 2007 audited consolidated financial statements.

The Company has provided for future income taxes in 2007 and 2006 resulting in estimated effective tax rates of 54% and 112%. The restated effective tax rate in 2006 increased from the rate previously reported as it does not reflect the benefit from loss carry-forwards to the extent previously expected. The effective rate in 2007 is higher than the statutory rate due primarily to stock-based compensation expense, which is not deductible for tax purposes and certain inflation gains in Mexico which are taxable. The effect of stock-based compensation is disproportionately higher in 2006 because the stock-based compensation expense is significant in relation to earnings before income tax. Statutory tax rates in Mexico and Canada are 28% and 36% respectively. Canadian tax rates are expected to decline in future years as a result of enacted legislation.

Since the Company uses the liability method of computing its income taxes, there are factors which may result in changes to the valuation of tax assets and liabilities. These factors include changes in foreign exchange rates and changes in future income tax rates that will affect the effective tax rate as they are not dependent on computed earnings before income tax or the statutory rate. In addition, the Company is subject to inflation gains on its net monetary liabilities in Mexico, which are not reported in earnings as calculated for accounting purposes, whether those liabilities are denominated in Mexican pesos or United States dollars. If these adjustments are significant in relation to earnings before income tax, the resulting effective tax rate may be materially different from the statutory rate.

Mexico recently enacted a new tax law which replaces an asset tax as a means of obtaining tax revenue from an operating company which might not report earnings on the basis of generally accepted accounting principles. While the new law is not expected to affect the Company in 2008, the Company will be required to evaluate the new law in 2009 and beyond when financial forecasts of changes in capital expenditures and production from the Escondida project are known with more certainty.

Summary of Quarterly Results

The following table summarizes quarterly results for the past eight quarters. Quarterly gold production has been adjusted to reflect final settlements, where applicable.

	Q1 2006	Q2 2006	Q3 2006	Q4 2006 (Re-stated)	Q1 2007	Q2 2007	Q3 2007	Q4 2007
Gold production (ounces)	20,950	23,620	24,880	31,720	24,940	28,200	21,670	31,390
Gold sales (ounces)	22,670	23,780	19,500	25,270	27,200	30,880	23,170	27,029
Gold sales ($000)	12,490	14,700	12,165	15,299	16,958	20,797	15,590	20,683
Earnings (loss) from operations ($000)	2,285	2,188	1,634	1,175	2,558	2,941	1,062	830
Earnings (loss) ($000)	572	(287)	835	(1,469)	1,189	1,888	117	(260)
Earnings (loss) ($ per share) – basic and diluted	0.01	(0.08)	0.01	(0.01)	0.01	0.02	0.00	(0.00)

The restatement of the 2006 financial statements is presented as an adjustment in the fourth quarter of 2006. Commercial production commenced in the second quarter of 2006, however, a loss was incurred as significant charges related to the early conversion of the majority of the Company's convertible debenture liability were incurred. The $0.08 loss per share in the second quarter of 2006 includes a $5.9 million debt settlement charge to retained earnings in relation to conversion of the convertible debentures. The loss in the fourth quarter of 2006 was restated to reflect a $2.1 million increase to future income tax expense. The Company expects that the third quarter may continue to represent a seasonal low for gold production based on recent rainfall patterns which have the potential to impact operations. Higher realized gold prices and gold sales in 2008 are expected to result in increased earnings from operations and earnings.

Financial and Other Instruments

The Company's financial assets and liabilities consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities and the liability portion of a convertible debenture, some of which are denominated in Canadian dollars or Mexican pesos. These accounts are recorded at cost in United States dollars, which approximates fair value, except for the convertible debenture, which approximates its accreted value at each reporting period in United States dollars. The Company is exposed to financial gain or loss as a result of foreign exchange movements against the United States dollar.

The Company's cash and cash equivalents may be invested in short-term liquid deposits or investments which provide a revised rate of interest upon maturity. At December 31, 2007 all reported cash and cash equivalents were held in bank deposit accounts.

In addition to United States dollar costs, the Company also incurs operating costs denominated in both the Canadian dollar and the Mexican peso. Accordingly, the Company's operating costs are affected by changes in foreign exchange rates in those currencies.

The Company has elected not to hedge its exposure to fluctuations in the Canadian dollar by buying fixed rate forward contracts in Canadian dollars. Corporate and administrative costs associated with the Company's head office in Toronto are denominated in Canadian dollars. A 10% increase in the value of the Canadian dollar against the United States dollar could increase the Company's reported corporate and administrative costs by approximately $0.3 million annually.

The Company has exposure to monetary assets and liabilities denominated in Mexican pesos, and significant outstanding amounts receivable or accounts payable denominated in Mexican pesos could result in a foreign exchange gain or loss. The Company has elected not to hedge this exposure by buying fixed rate forward contracts in Mexican pesos at this time as it has monetary liabilities denominated in Mexican pesos which partially offset this exposure and as the exchange rate for the Mexican peso has been relatively stable in recent years.

The Company contracts for future gold sales to closely match expected delivery dates within the current financial quarter. At this time, the Company does not anticipate entering into long-term forward sales contracts as the gold price currently appears to have some upward bias due to strong physical and investment demand and weakness of the United States dollar. The Company will continually monitor the effectiveness of this policy.

Investment in Mineral Property, Plant and Equipment

A breakdown of the cash invested in mineral property, plant and equipment for the year ended December 31, 2007 is presented below:

	2007 ($000)
Mineral property and mine development	3,489
Crusher and conveyor	2,856
Leach pad expansion	3,583
Other mine infrastructure	3,685
Escondida	687
Mining equipment	542
Office and computer equipment	92
Cash invested in mineral property, plant and equipment	**14,934**

Capital spending in 2007 was focused primarily on the new crusher, leach pad expansion, the Mulatos relocation efforts and an additional storm water pond, treatment pond and improvements to mine infrastructure.

The Company commenced the planned relocation of the town of Mulatos in the third quarter of 2007. Relocation contracts have been signed with more than half of the families resident in Mulatos. Property owners and possessors are being offered a comprehensive package of benefits including compensation for their property and/or relocation benefits. In certain cases, relocation benefits include deferred monthly payments. In 2007, the Company capitalized payments for property acquisition, relocation benefits and related costs totalling $2,629,000. The Company has also recognized a liability of $1,453,000 representing the discounted value of expected future payments for relocation benefits to property owners and possessors that had signed contracts with the Company as at December 31, 2007. The discounted value of the liability was capitalized to mineral property, plant and equipment.

The new crusher was commissioned in July 2007 at a total cost of approximately $2.0 million. The new crusher has improved the Company's ability to crush to the optimal discharge size which is expected to improve gold recoveries, and to increase crusher throughput capacity. The Company also invested in excess of $0.8 million in 2007 on its planned stacking and conveying system, which will eliminate truck loading of the leach pad. It is anticipated that this project will reduce leach pad costs, and increase mobile equipment availability as these trucks can be used elsewhere within the Mine. Leach pad expansion activities cost $3.6 million in 2007. Capital investments in the leach pad expansion were significantly above budget due to higher equipment rental costs incurred during construction delays caused by high rainfall and higher than anticipated leach pad plastic costs.

The Company also invested in excess of $3.7 million on general mine site infrastructure in 2007. These expenditures were incurred to improve the Company's existing laboratory facilities, truck shop, warehouse, fuel station and process plant. The Company also invested approximately $0.7 million in relation to the Escondida mill trade-off and feasibility studies.

Capital expenditures in 2008 are expected to be below 2007 levels. However, mine capital totaling approximately $10 million has been budgeted in 2008 for completion of the stacking and conveying system, laboratory, truck shop, warehouse, fuel station and process plant and the construction of an acid treatment pond.

Exploration and Mine Development Activities

Exploration activities during 2007 were focused primarily on near-mine resource-definition projects at El Victor, Gap and Puerto del Aire and regional exploration projects at La Yaqui and El Halcon.

The Company invested $3.0 million in exploration activities in 2007. The majority of exploration spending in 2007 related to the Gap area, where the Company invested $0.9 million primarily in underground drilling expenditures. Additional drilling costs in 2007 included approximately $0.5 million at Puerto del Aire and $0.3 million at La Yaqui. Other significant exploration spending during 2007 included costs associated with resource estimation at El Victor, property taxes and camp and exploration staff salary costs. A summary of the Company's exploration progress in 2007 by project is described below.

<u>Gap</u>
Exploration drilling in 2007 resulted in the extension of mineralization 500 meters from El Victor into the Gap area. In addition, drilling at the Gap resulted in the discovery of high-grade ore intercepts, some in excess of 30 g/t Au, increasing the likelihood of outlining an economic deposit at the Gap.

The Gap area has similar geologic characteristics to the high-grade Escondida Hanging Wall Zone and is a large, blind area of concealed silica alteration that hosts both localized high-grade and thick lower-grade gold intercepts. Surface drilling intercepts have delineated a mineralized area approximately 500 meters long by 150 meters wide, and up to 110 meters thick. Mineralization at the Gap area is continuous with El Victor, with 1,250 meters of strike length identified to date of mineralized intercepts from El Victor through to the Gap. An additional 100 meters of strike length remains to be explored until the Escondida deposit is encountered.

Surface drilling completed to date has consisted of 38 reverse circulation holes on roughly 50-meter centers (8,540 meters), stepping out to the west from previous El Victor/Gap intercepts. Drilling has resulted in the identification of several additional high-grade gold intercepts, including 4.58 meters of 24.73 g/t Au, 7.62 meters of 29.92 g/t Au and 3.04 meters of 24.86 g/t Au. These drill results are in addition to previously reported results including 33.5 meters of 4.09 g/t Au and 25.9 meters of 3.85 g/t Au. Underground core drilling and development is required and planned for 2008 to further assess the zone.

El Victor
A total of 137 surface and underground holes representing 12,800 meters were drilled at El Victor in 2006. In the fourth quarter of 2007, the Company reported a measured and indicated resource of 0.5 million ounces at El Victor.

Puerto del Aire
In 2007, the Company completed a resource definition drilling program at Puerto del Aire, which adjoins the northeast portion of the Estrella Pit. A total of 35 surface reverse-circulation holes (7,713 meters) were drilled. Drill hole intercepts defined a concealed mineralized zone parallel to the Escondida-El Victor trend that is up to 150 meters wide and over 300 meters in strike length. Recent drilling in the first quarter of 2008 has extended the zone an additional 225 meters to the northeast, where it remains open. Ore-grade intercepts extend a minimum of 200 meters beyond the current project pit margin, indicating the potential for a pit lay-back. Local high-grade oxide intercepts have been encountered, with the best result to date being 28.42 meters of 5.7 g/t Au. Additional drilling results include 19.82 meters of 5.10 g/t Au, 39.66 meters of 1.36 g/t Au, 27.44 meters of 2.30 g/t Au, 47.25 meters of 1.31 g/t Au and 25.91 meters of 2.34 g/t Au. Resources at Puerto del Aire are expected to be reported in 2008.

La Yaqui
During 2007, the Company successfully negotiated three new surface access agreements, permitting exploration into three high-priority targets for the first time since 1997. Drilling at La Yaqui in the fourth quarter of 2007 produced immediate success outlining an oxide gold zone exposed at surface with numerous ore-grade intercepts including 44.2 meters of 2.73 g/t Au and 30.0 meters of 3.33 g/t Au. This newly discovered near-surface oxide gold zone is located approximately 9.5 kilometers southwest of the Estrella Pit. Phase 2 drilling at La Yaqui is currently underway.

2008 Plans
With the completion of the new surface access agreements in 2007, exploration activities in 2008 will be focused on high-priority district targets. Additional in-fill and step-out drilling is planned at La Yaqui, in addition to Phase 1 drilling at Cerro Pelon, El Halcon and El Carricito.

The Company will remain focused in 2008 on resource growth. Additional underground drilling is planned to convert the exploration success at Gap into a resource. In addition, supplementary drilling at Puerto del Aire is intended to increase reported near-mine resources. The Company's exploration budget for 2008 is $7.0 million however this is subject to change based on exploration results.

Liquidity and Capital Resources

At December 31, 2007, the Company had $7.8 million in cash and cash equivalents compared to $4.9 million at December 31, 2006. In 2007, cash flows from operating activities of $20.9 million were primarily reinvested in mineral property, plant and equipment and used to re-pay

the Company's bank loan and capital lease obligations. Sources of cash in 2007 included the net collection of $3.3 million of Mexican value-added tax and a $2.1 million increase in the Company's accounts payable and accrued liability balance. Offsetting these amounts were cash investments of $5.1 million in parts and supplies and leach pad gold inventory, and $0.2 million in prepaid expenses. The investment for leach pad gold inventory reflects all costs required to load gold-bearing ore onto the leach pad for processing into a gold/silver dore product. The Company's working capital position increased in 2007 from a working capital surplus at December 31, 2006 of $32.9 million to $39.2 million at December 31, 2007.

The Company has an unsecured $15 million revolving line of credit with a bank, available for general corporate purposes. On August 25, 2007 the bank increased the line of credit from $10 million to $15 million and reduced the rate of interest from LIBOR + 2.75% to LIBOR + 2.25%. During 2007, the Company had drawn up to $7 million on this facility. However, in the fourth quarter of 2007, strong cash flows from operations enabled the Company to repay the entire outstanding amount of this bank loan. Accounts payable and accrued liabilities increased from $5.8 million at December 31, 2006 to $7.8 million at December 31, 2007.

In February 2005, the Company issued a 5.5% CDN$50 million convertible unsecured debenture maturing on February 15, 2010. In June 2006, approximately 97% of the outstanding debentures were converted. The early conversion of substantially all of the convertible debentures benefited the Company by significantly reducing its long-term debt and eliminating the accretion, interest and foreign exchange costs associated with the converted debentures. At December 31, 2007, convertible debentures representing CDN$1,471,000 in face value were outstanding.

The Company's financial strength and liquidity improved significantly throughout 2007. The Company expects a higher realized gold price and increased gold sales in 2008 to result in substantially increased cash flows generated from operations and corresponding higher cash balances.

The Company has commissioned a feasibility study addressing mining alternatives for the Escondida deposit. If it is determined to be economic, the Company expects to construct a mill and mine the deposit. It is not certain what the construction cost will be at this time, however, the Company believes that it will be able to finance the project with some combination of debt and cash flows from operations, based on current operating plans and the current gold price.

Changes in Accounting Policy and Presentation

Effective January 1, 2007, the Company has adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, Financial Instruments – Recognition and Measurement; Section 3865, Hedges; Section 1530, Comprehensive Income; and Section 3861, Financial Instruments – Disclosure and Presentation.

Adoption of Section 3855, Financial Instruments – Recognition and Measurement, resulted in the Company classifying its investment in the common shares of Castle Gold Corporation ("Castle", formerly Morgain Minerals Inc.) as available-for-sale on its interim consolidated balance sheets. The common shares of Castle were received as consideration on disposal of the Company's La Fortuna property and certain inactive subsidiaries. At the transaction date, the net book value of the La Fortuna property and the inactive subsidiaries approximated the value of the consideration received of $1.1 million and no gain or loss was recognized on the transaction.

Available-for-sale financial assets are carried at fair value with changes in fair value recorded in other comprehensive income. In determining fair value, the Company has considered the significance of its Castle common share holdings and the likelihood that it could readily liquidate its shareholdings at the quoted market price. The Company has determined that the fair value of its holdings is determinable by applying a liquidity discount to the quoted market price of the Castle common shares.

The Company does not apply hedge accounting to its derivative financial instruments and is not impacted by Section 3865, Hedges.

The Company has adopted Section 1510, Other Comprehensive Income with no material impact on the Company's financial statements, however, the format of its statements of operations and comprehensive income/(loss), and statements of deficit were changed accordingly.

Recent Accounting Pronouncements

Recent accounting pronouncements that will be adopted by the Company in 2008 include CICA Section 1535, Capital Disclosures, Sections 3862 & 3863, Financial Instruments – Disclosure and Presentation and Section 3031, Inventories. The Company does not expect the adoption of Section 1535, 3863 or 3863 to have a significant effect on the Company's financial statements. The Company is currently in the process of evaluating the impact of the new Section 3031 on its financial statements.

Internal Control over Financial Reporting

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. Based on a review of its internal control procedures at the end of the period covered by this MD&A, with the exception of the matter described below, management believes its internal controls and procedures are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

During the assessment of the Company's 2007 balance of future tax assets and liabilities, the Company became aware that its future tax assets had been materially affected by a recent tax audit that had the effect of reducing the Company's future tax assets, which had been overstated. The Company has concluded that there were insufficient monitoring controls over the tax return preparation and review process in Mexico and its procedures to compile accurate future tax asset and liability balances. The Company has implemented additional procedures in the course of preparing its year end 2007 financial statements, and will implement further procedures during its review of tax balances for the first quarter of 2008. The Company also intends to create new internal control policies and procedures which address the review and approval of tax return submissions prior to their filing.

Changes to Internal Control over Financial Reporting

There have been no significant changes to the Company's internal control over financial reporting that occurred during the year ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting. Changes to internal control over financial reporting are expected to be implemented in the first quarter of 2008 in accordance with the discussion in the preceding paragraph.

Disclosure Controls

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2007 and have concluded that these controls and procedures are effective in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company.

Off-Balance Sheet Arrangements

The Company may enter into gold contracts which may, in certain circumstances, be classified as off-balance sheet arrangements. Due to the nature of the contracts entered into and in accordance with the Company's accounting policy, the marked-to-market value of these contracts is recorded on the balance sheet. At December 31, 2007, no contracts were outstanding.

Commitments Table

The following table summarizes the Company's contractual obligations at December 31, 2007:

Payments due by period ($000)

Contractual Obligations	Total	Less than 1 year	2 – 3 years	4 – 5 years	More than 5 years
Convertible debenture	1,692	82	1,610		
Operating lease	840	120	240	240	240
Capital lease obligations	10,225	2,937	5,779	1,509	-
Employee future benefits [1]	1,110	-	-	-	1,110
Asset retirement obligations	5,374	-	-	-	5,374
Property acquisition obligations	1,680	581	586	513	-
	20,921	**3,720**	**8,215**	**2,262**	**6,724**

[1] Certain termination benefits are provided to Mexican employees on involuntary termination at the end of the life of the mine, as mandated by Mexican Labour Law. In certain circumstances, the Company must also pay other contractual termination or severance benefits, the timing and amount of which are contingent on factors outside of the Company's control.

Contractual obligations also exist with respect to royalties, however, gold production subject to royalty cannot be ascertained with certainty and the royalty rate varies with the gold price.

Based on the current gold price and rates of production, royalty expense in 2008 is expected to exceed the royalty expense of $3.8 million recorded in 2007.

The Company has signed relocation contracts with certain property owners and possessors in the town of Mulatos. The amount and timing of expected future relocation benefit and property acquisition payments to the residents of Mulatos who had signed contracts with the Company as at December 31, 2007 are presented in the table above. Although future relocation, property acquisition and legal costs may be material, the Company cannot currently determine the expected timing, outcome of negotiations or costs associated with the relocation of the remaining property owners and possessors and potential land acquisitions.

Outstanding Share Data

The table below describes the terms associated with the Company's outstanding and diluted share capital:

	March 10, 2008
Common shares - Common shares outstanding	94,838,230
Stock options - Average exercise price CDN$5.64; Approximately 70% vested	6,232,500
Convertible debentures - Face value CDN$1.47 million. Convertible into common shares at a rate of 188.6792 common shares for each CDN$1,000 principal amount of debentures	277,547

Outlook

Looking forward to 2008, the Company anticipates benefits arising from the initiatives undertaken in 2007. Increasing gold production, gold sales, revenues, cash flows and profitability are all expected to characterize the Company's 2008 year. The Company exceeded its forecast gold production of 30,000 ounces in the fourth quarter of 2007 and expects improvements throughout 2008.

Gold production in 2008 is ultimately dependent on the Company's ability to increase its recoveries. Production shortfalls associated with crusher throughput or crusher discharge size in 2007 have been addressed. The Company is currently averaging 14,000 tonnes of crushed ore per day at the optimal discharge size. Uncertainty regarding the metallurgy of the Estrella deposit has been addressed, as both in-house and independent laboratory testing have confirmed that recoveries of 60-70% are achievable. The Company's focus in 2008 is to improve its ability to forecast future production by addressing leach pad dynamics with the objective of realizing gold recoveries consistent with the results of laboratory testing. To do this, the Company has installed and expects to be operating the stacking and conveying system by the end of the first quarter of 2008 or shortly thereafter. This will remove the risk of compaction from truck-loading the leach pad and is expected to improve recoveries. In addition to this, the Company expects that it will begin cement agglomeration and the installation of inter-lift liners, both of which could contribute to additional improvements in gold recovery. The Company is confident that improvements in gold production in the fourth quarter

of 2007 will continue into 2008. The Company forecasts gold production and sales in the first quarter of in excess of 30,000 ounces at a cash operating cost (exclusive of royalties which increase with gold prices), at or below $400 per ounce. Based on current gold prices, this level of production is expected to result in record quarterly gold sales, cash flows from operations and earnings.

The results of the Escondida mill feasibility study are expected to be received in the second quarter, followed by a production decision in the third quarter of 2008.

The 2008 exploration budget of $7 million will be focused on high-priority targets including La Yaqui, Cerro Pelon and the Gap.

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian GAAP requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date, and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the consolidated financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

The Company accounts for its in-process precious metals inventory using a process flow for applicable costs appropriate to the physical transformation of ore through the mining, crushing, leaching and gold recovery process. The Company is required to estimate the ultimate recovery of payable metals from laboratory tests and from ongoing analysis of leach pad kinetics in order to determine the recoverable metals from the leach pad at the end of each accounting period. If the Company determines at any time that the ultimate recovery should be adjusted downward, then the Company will adjust the average carrying value of a unit of metal content in the in-process inventory and adjust upward on a prospective basis the unit cost of subsequent production. Should an upward adjustment in the average carrying value of a unit of metal result in the carrying value exceeding the realizable value of the metal, the Company would write down the carrying value to the realizable value.

The Company is required to determine the expected value of the estimated costs of asset retirement obligations and to recognize this value as a liability when reasonably determinable. This valuation is added to the cost of the relevant mineral property on the consolidated balance sheets, and amortized as an expense in the consolidated statements of operations when the mineral property is in production. Asset retirement costs include future removal and site restoration. Key assumptions in determining the amount of liability are total undiscounted cash outflows; expected timing of payment of the cash outflows; and appropriate discount rates to apply to the timing of cash outflows. Because the liability is recorded on a discounted basis, it is increased due to the passage of time with an offsetting charge to accretion expense in the statement of operations. The Company updated its initial study in 2008 and is awaiting receipt of an independent third party prepared mine closure and reclamation plan. The majority of the expenditures associated with reclamation and mine closure will be incurred at the end of the mine life, expected to be in 7 years based on expected proven and probable reserves and the current rate of production.

The Company estimates an employee future benefits liability associated with expected future payments to its Mexican employees in accordance with the statutory laws and regulations in Mexico that govern severance and termination benefits. Such estimates are necessarily calculated with reference to expected salary increase and minimum wage rates, employee turnover, interest and inflation rates and various other factors, all of which are subject to annual review and change.

The Company follows accounting guidelines in determining the fair value of stock-based compensation, as disclosed in Note 14 to the financial statements. This computed amount is not based on historical cost, but is derived based on subjective assumptions input into an option pricing model. The model requires that management make several assumptions as to future events, including: an estimate of the average future hold period of issued stock options before exercise, expiry or cancellation; future volatility of the Company’s share price in the expected hold period (using historical volatility as a reference); and the appropriate risk-free rate of interest. The resulting value calculated is not necessarily the value that the holder of the option could receive in an arm’s length transaction, given that there is no market for the options and they are not transferable. It is management’s view that the value derived is highly subjective and dependent entirely upon the input assumptions made.

Risk Factors and Uncertainties

The financing, exploration, development and mining of any of the Company's properties is subject to a number of factors including the price of gold, laws and regulations, political conditions, currency fluctuations, environmental regulations, hiring qualified people and obtaining necessary services in jurisdictions where the Company operates. The current trends relating to these factors are favorable but could change at any time and negatively affect the Company's operations and business.

The following is a brief discussion of those distinctive or special characteristics of the Company's operations and industry which may have a material impact on, or constitute risk factors in respect of the Company's future financial performance.

Industry

The Company is engaged in exploration, mine development and the mining and production of precious metals, primarily gold, and is exposed to a number of risks and uncertainties that are common to other companies in the same business. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable adequate machinery, equipment or labour are risks involved in the operation of mines and the conduct of exploration programs. The Company has relied on and may continue to rely upon consultants and others for mine operating and exploration expertise. Few properties that are explored are ultimately developed into producing mines. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineral deposit, the Company may not be able to raise sufficient funds for development. The economics of developing mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of mining and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and

environmental protection. Where expenditures on a property have not led to the discovery of mineral reserves, spent costs will not usually be recoverable.

Commodity Price

The value of the Company's mineral resources and future operating profit and loss is affected by fluctuations in gold prices, over which the Company has no control. A reduction in the price of gold may prevent the Company's properties from being economically mined or result in the write-off of assets whose value is impaired as a result of low gold prices. The price of gold may also have a significant influence on the market price of the Company's common shares. The price of gold is affected by numerous factors beyond the Company's control, such as the level of inflation, fluctuation of the United States dollar and foreign currencies, global and regional demand, sale of gold by central banks and the political and economic conditions of major gold producing countries throughout the world. The price of gold has increased significantly in the past several years. The current gold price is significantly above impairment levels. The Company has elected not to engage in significant forward selling, as a number of gold mining companies have been adversely affected by maintaining a substantial forward sales book in the face of a rising gold market. At the current rate of quarterly production, revenue will change by approximately $30,000 with each $1 change in the price of gold.

Currency

The Company is subject to currency risks. The Company's functional currency is the United States dollar, which is subject to recent fluctuations against other currencies. The Company's primary operations are located in Mexico and many of its expenditures and obligations are denominated in Mexican pesos. The Company maintains its principal office in Canada, maintains cash accounts in U.S. dollars, Mexican pesos and Canadian dollars and has monetary assets and liabilities in U.S. and Canadian dollars and Mexican pesos. The Company's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company. The Company has not undertaken to mitigate transactional volatility in either the Mexican peso or the Canadian dollar at this time. A 1% change in the relative value of the Canadian dollar would impact corporate and administrative costs by approximately $35,000 annually; a 1% change in the relative value of the Mexican peso would impact operating costs by approximately $250,000 annually.

Business

The Company has limited financial resources which could affect its ability to carry out its business plan. The Company's ability to secure fixed gold prices or future foreign exchange rates is affected by its creditworthiness. Because of its limited operating record, it may not be able to hedge future risk to the extent it feels is appropriate. The Company's ability to obtain financing to explore for mineral deposits and to continue and complete the development of those properties it has classified as assets is not assured, nor is there assurance that the expenditure of funds will result in the discovery of an economic mineral deposit.

Competitive

The Company's business is intensely competitive, and the Company competes with other mining companies, many of which have greater resources and experience. Competition in the precious metals mining industry is primarily for mineral rich properties which can be developed

and produced economically; the technical expertise to find, develop, and produce such properties; the labour to operate the properties; and the capital for the purpose of financing development of such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a world-wide basis and some of these companies have much greater financial and technical resources than the Company. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these mineral deposits could have a material adverse effect on the Company's results of operations and business.

Country

The Company conducts exploration, mine development and mining and production activities in Sonora, Mexico. Mexico is a developing country and obtaining financing, finding or hiring qualified people or obtaining all necessary services for the Company's operations in Mexico may be difficult. Mexico's status as a developing country may make it more difficult for the Company to attract investors or obtain any required financing for its mining projects.

The Company strives to maintain good relations with the local community by providing employment opportunities and social services. The Company has entered into a surface agreement with the Mulatos Ejido. In addition, the Company has entered into agreements with individual Ejido members for the surface rights to which they have been assigned. The transfers of title to these surface rights have been registered under Mexican law.

The Company is also in negotiations with Ejido and non-Ejido members, as a group and individually, to relocate the existing community of Mulatos, and to acquire additional surface rights. Negotiations with the Ejido can become time-consuming if demands for compensation become unreasonable. With the assistance of experienced legal advisors and the input from state and local government officials, the Company expects that it will be able to acquire its land-use requirements at a reasonable cost, however, there can be no assurance that this will be the case.

The acquisition of the right to exploit mineral properties is a detailed and time-consuming process. Although the Company is satisfied it has taken reasonable measures to acquire unencumbered rights to explore on and exploit its mineral reserves on the Salamandra Concessions, no assurance can be given that such claims are not subject to prior unregistered agreements or interests or to undetected or other claims or interests which could be material and adverse to the Company.

Mexico recently enacted new tax laws which provide an additional layer of complexity and uncertainty in evaluating the financial benefit from current and future operations.

Environmental

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Specifically, the Company activities related to its Salamandra Concessions are subject to regulation by SEMARNAP, the environmental protection agency of Mexico. Regulations require that an environmental impact statement, known in Mexico as a *Manifesto Impacto Ambiental*, be prepared by a third-party contractor for submittal to SEMARNAP. Studies required to support the *Manifesto Impacto Ambiental*

include a detailed analysis of the following areas: soil, water, vegetation, wildlife, cultural resources and socio-economic impacts. The Company must also provide proof of local community support for a project to gain final *Manifesto Impacto Ambiental* approval. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

Regulatory

The Company's activities are subject to extensive laws and regulations governing worker health and safety, employment standards, waste disposal, protection of historic and archaeological sites, mine development, protection of endangered and protected species and other matters. Specifically, the Company's activities related to its Mulatos Mine and the Salamandra group of concessions are subject to regulation by SEMARNAP, the environmental protection agency of Mexico, *Comisión Nacional del Aqua* ("CAN"), which regulates water rights, and the Mexican Mining Law. Mexican regulators have broad authority to shut down and/or levy fines against facilities that do not comply with regulations or standards. The Company' mineral exploration and mining activities in Mexico may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to the Company activities or maintaining its properties. Operations may also be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety.

A number of other approvals, licenses and permits are required for various aspects of mine development. While the Company has used its best efforts to ensure title to all its properties and secured access to surface rights, these titles or rights may be disputed, which could result in costly litigation or disruption of operations. The Company is uncertain if all necessary permits will be maintained on acceptable terms or in a timely manner. Future changes in applicable laws and regulations or changes in their enforcement or regulatory interpretation could negatively impact current or planned exploration and development activities within the Company's Salamandra Concessions or any other projects with which the Company becomes involved. Any failure to comply with applicable laws and regulations or failure to obtain or maintain permits, even if inadvertent, could result in the interruption of exploration and development operations or material fines, penalties or other liabilities.

Estimates

The mineral reserves and resource estimates of the Company are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified reserve or resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. The Company relies on laboratory-based recovery models to project estimated ultimate recoveries by ore type at optimal crush sizes. Actual gold recoveries in a commercial heap leach operation may exceed

or fall short of projected laboratory test results. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geologic, metallurgical or engineering work, and work interruptions, among others. Short term factors, such as the need for orderly development of deposits or the processing of new or different grades or ore types, may have an adverse effect on mining operations or the results of operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in proven and probable reserves or resources, grades, waste-to-ore ratios or recovery rates may affect the economic viability of projects. The estimated proven and probable reserves and resources described herein should not be interpreted as assurances of mine life or of the profitability of future operations. Based on the expected 2008 rate of production and budgeted cash operating costs, a 1% change in the expected rate of recovery of gold would result in a $7 per ounce change in cash operating costs, and an approximate $1,500,000 change in income and cash flow annually, before royalties and income taxes. A 1% change in cash cost per tonne of ore would result in a $4 per ounce change in cash cost, and approximately $500,000 change in income and cash flow annually, before royalties and tax charges.

Dependence on Management

The Company is dependent on key personnel and the absence of any of these individuals could result in a significantly negative effect on the Company. The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term. As the Company's operations expand, additional general management resources will be required, especially since the Company encounters risks that are inherent in doing business in several countries. The Company is dependent, in particular, on its President and Chief Executive Officer, John McCluskey and its Chief of Operations, John Van De Beuken. Key man life insurance is not in place on Messrs. McCluskey or Van De Beuken. If the services of the Company's management and key personnel were lost, it could have a material adverse effect on future operations.

Legal

Substantially all of the Company's assets are located outside of Canada, and are held indirectly through foreign affiliates. It may be difficult or impossible to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of the securities laws of certain provinces against the portion of the Company's assets located outside of Canada.

Forward-Looking Statements

Except for historical information contained in this management's discussion and analysis, disclosure statements contained herein are forward-looking, as defined in the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements.

This MD&A contains forward-looking statements concerning the Company's plans for its properties and other matters within the meaning of Section 21E of the Securities Exchange

Act of the United States. Forward-looking statements include, but are not limited to, statements with respect to anticipated commencement dates of mining expansions, operations, projected quantities of future metal production, anticipated production rates and mine life, operating efficiencies, costs and expenditures and conversion of mineral resources to proven and probable reserves, and other information that is based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Statements concerning proven and probable reserves and mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the property is developed, and in the case of mineral resources or mineral reserves, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically exploited. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be "forward-looking statements." Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements.